

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re

CITY OF DETROIT, MICHIGAN,

Debtor.

No. 13-53846

Chapter 9

HON. STEVEN W. RHODES

EXHIBIT A

**STATE OF MICHIGAN'S RESPONSE TO MOTION OF
INTERNATIONAL UNION, UAW AND FLOWERS PLAINTIFFS
TO COMPEL PRODUCTION OF DOCUMENTS WITHHELD ON
GROUND OF PRIVILEGE BY THE STATE OF MICHIGAN**

EXHIBIT A - 3/12/2013 EMAIL

From: Baird, Richard (GOV)
Sent: Tuesday, March 12, 2013 8:54 PM
To: 'Kevyn Orr'
Subject: FW: Draft Contracts--final draft
Attachments: Emergency Financial Manager Contract, 3-14-13.docx; Emergency Manager Contract, 3-28-13.docx

Importance: High

Kevyn:

It would be our hope that we could execute these contracts Thursday after the ELB appointment should it be confirmed.

Rich

From: Headen, Frederick (Treasury)
Sent: Tuesday, March 12, 2013 4:34 PM
To: Gadola, Michael (GOV); Stibitz, Brom (Treasury); Baird, Richard (GOV)
Subject: RE: Draft Contracts
Importance: High

All: Please find attached. Thanks.

From: Gadola, Michael (GOV)
Sent: Tuesday, March 12, 2013 3:04 PM
To: Stibitz, Brom (Treasury); Headen, Frederick (Treasury); Baird, Richard (GOV)
Subject: RE: Draft Contracts

I'm good.

From: Stibitz, Brom (Treasury)
Sent: Tuesday, March 12, 2013 2:46 PM
To: Headen, Frederick (Treasury); Gadola, Michael (GOV); Baird, Richard (GOV)
Subject: RE: Draft Contracts

Works for me.

From: Headen, Frederick (Treasury)
Sent: Tuesday, March 12, 2013 2:32 PM
To: Gadola, Michael (GOV); Stibitz, Brom (Treasury); Baird, Richard (GOV)
Subject: RE: Draft Contracts
Importance: High

See attachments. If okay, I will remove interlineated text and other tracking.

From: Gadola, Michael (GOV)
Sent: Tuesday, March 12, 2013 2:02 PM
To: Stibitz, Brom (Treasury); Baird, Richard (GOV); Headen, Frederick (Treasury)
Subject: RE: Draft Contracts

Yes. I just wondered if we might save ourselves an issue with the City and some of our "friends" there if we volunteered to pick up the expenses too, but it might be argued that the appropriation in PA 436 doesn't cover expenses. I'm OK with leaving as is but just thought I would raise it.

Mike

From: Stibitz, Brom (Treasury)
Sent: Tuesday, March 12, 2013 1:57 PM
To: Gadola, Michael (GOV); Baird, Richard (GOV); Headen, Frederick (Treasury)
Subject: RE: Draft Contracts

New law only requires state to cover salary.

From: Gadola, Michael (GOV)
Sent: Tuesday, March 12, 2013 1:55 PM
To: Stibitz, Brom (Treasury); Baird, Richard (GOV); Headen, Frederick (Treasury)
Subject: RE: Draft Contracts

I agree with Brom's suggestion re internal controls and adding "City or State" to the second contract. Yes, we will be OK with the items Rich mentions with this revision to the contract. Just curious as to why expense reimbursement under the second contract comes from the City when the state is responsible for the salary?? I don't care either way but it raises a question in my mind.

From: Stibitz, Brom (Treasury)
Sent: Tuesday, March 12, 2013 1:49 PM
To: Baird, Richard (GOV); Headen, Frederick (Treasury); Gadola, Michael (GOV)
Subject: RE: Draft Contracts

But then it would be all set, as long as it isn't from the State or City, right?

From: Baird, Richard (GOV)
Sent: Tuesday, March 12, 2013 1:48 PM
To: Stibitz, Brom (Treasury); Headen, Frederick (Treasury); Gadola, Michael (GOV)
Subject: RE: Draft Contracts

I agree on the internal controls piece Brom but we will likely flow the special commutation and apartment lease reimbursement through the 501(c) 4. Still happy to have some other set of eyes.

From: Stibitz, Brom (Treasury)
Sent: Tuesday, March 12, 2013 1:43 PM
To: Headen, Frederick (Treasury); Gadola, Michael (GOV); Baird, Richard (GOV)
Subject: RE: Draft Contracts

Based on the conversations we have had over here at Treasury in the last week or two, let me suggest that the second contract be changed so that Section 3.2 read like this instead (my change in red):

3.2 Salary. The Emergency ~~Financial~~ Manager's salary for services rendered under this Contract shall be \$275,000 per year. If this Contract is terminated after the Emergency ~~Financial~~ Manager has provided services for a portion of a month, the Emergency ~~Financial~~ Manager shall be entitled, for that portion of that month, to \$22,916.67 multiplied by the proportion that the number of days of the month for which services were provided bears to the number of days of the whole month. The Emergency Manager shall not receive or accept any compensation from the City or State except as provided for in this contract.

For Mike and Rich, our conversation focused around how to avoid the next Art Blackwell situation, where a manager is paying themselves out of City funds for things they aren't entitled to.

The other suggestion that I would throw out (again for that worst case scenario) is that we add language to section 3.4 in both contracts (existing language below) that requires a second person in the City to sign off any expense reimbursements going to the manager. It could be the CFO, finance director, or a finance clerk for all I care. I just think a second set of eyes on these things would be good to make sure everything is above board.

3.4 Reimbursement for Actual and Necessary Expenses. The actual and necessary expenses of the Emergency ~~Financial~~ Manager, including customary expenses related to travel, meals, and lodging which are incurred in connection with service to the City will be reimbursed by the City. The Emergency ~~Financial~~ Manager shall provide original copies of all receipts for meals, lodging, and travel reimbursement with any request for reimbursement.

My two cents.

From: Headen, Frederick (Treasury)
Sent: Tuesday, March 12, 2013 12:29 PM
To: Gadola, Michael (GOV); Baird, Richard (GOV); Stibitz, Brom (Treasury)
Subject: Draft Contracts
Importance: High

Mike:

Per your request, please find the attached draft contracts.

Fred